



**IOWA AGRICULTURAL
DEVELOPMENT DIVISION**

IADD BOARD MEETING MINUTES

**Iowa Finance Authority
2015 Grand Avenue, Des Moines, Iowa
January 25, 2017**

Board Members Present

Lyle Borg, Chair John Fredrickson
Stacie Euken Annette Townsley

Board Members Absent

Mark Leonard, Vice Chair

Staff Members Present

Lori Beary, Community Development Director Tammy Nebola, IADD Program Specialist
Steve Ferguson, IADD Program Specialist Debra VanRheenen, Accounting Manager

Others Present

Dave Claypool, Dorsey & Whitney

CALL TO ORDER

The meeting of the Iowa Agricultural Development Division (IADD) Board of Directors was called to order by Chair Borg on January 25, 2017 at 8:31 am. A quorum was established with the following Board Members present: Borg, Euken, Fredrickson and Townsley.

REVIEW OF MINUTES OF DECEMBER 22, 2016 BOARD MEETING

Mr. Borg presented the minutes of the December 22, 2016 IADD Board Meeting. Mr. Borg asked if there were any additions or corrections to the minutes.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. Townsley, the Board unanimously approved the minutes of the December 22, 2016 IADD Board meeting.

REVIEW OF DECEMBER 2016 FINANCIAL STATEMENT

Debbie VanRheenen presented the December 2016 financials. She stated that for FY17 year-to-date, IADD had operating income of \$270,673 operating expense of \$279,111 and net operating loss of \$(8,438).

Ms. VanRheenen noted that she believes the deficit will be greatly reduced or eliminated in next month's financials due to fees already received in January. Many BFLP's closed in December but the fee wasn't received until January.

MOTION

On a motion by Ms. Townsley and a second by Mr. Fredrickson, the Board unanimously approved the December 2016 financial statement as presented.

LOAN PARTICIPATION PROGRAM

Tammy Nebola presented information on the following loan participation application.

P0229 – Cody J. and Emileann Davelaar. It was discovered after receiving the appraisal that the land being purchased is in South Dakota. It is not an eligible project since the land is not located in Iowa so the application is being withdrawn.

P0230 - Dustin L. and Kimberly M. Schirm. The LPP application is for \$93,000. The borrower will purchase approximately 47 acres of agricultural land and farm improvement (tiling and waterways). Total project cost is \$315,000. The borrower has also applied for a Beginning Farmer Loan AG 16-054. The bank is Farmers Savings Bank & Trust in Traer.

MOTION

On a motion by Ms. Townsley and a second by Ms. Euken, the Board unanimously approved the loan participation for Dustin L. and Kimberly M. Schirm.

BEGINNING FARMER LOAN AMENDING RESOLUTIONS

Tammy Nebola presented the following resolutions to adjust the terms and conditions on closed BFLP projects:

Resolution 04749M – Scott and Michelle Hoekstra – American State Bank in Hull is the lender. The amendment will lower the interest rate from 4.50% to 3.75% until January 1, 2022 at which time the rate will adjust to the original index of 70% of American State Bank Base Rate and be adjustable every five years thereafter. Decrease the rate floor from 4.00% to 3.75%. All other loan terms will remain the same.

Resolution 04757M – Chad A. and Allyson J. Krull – NSB Bank in Northwood is the lender. The amendment will lower the interest rate from fixed 4.60% to fixed 3.127% until maturity of December 21, 2042. All other loan terms will remain the same.

Resolution 04760M – Travis J. and Katie L. Mahr – Decorah Bank & Trust Company in Decorah is the lender. The amendment will extend the principal portion of the payment due January 1, 2017 to maturity on January 1, 2043. Collect interest due as of January 1, 2017, estimated principal to extend will be \$10,615.68. Due to the higher principal amount the annual payment amount will increase from \$26,739.75 to \$26,747.28 beginning on January 1, 2018. Principal being extended will all be due as a balloon payment at maturity. All other loan terms will remain the same.

MOTION

On a motion by Ms. Townsley and a second by Mr. Fredrickson, the Board unanimously approved the Beginning Farmer Loan Program Amending Resolutions.

BEGINNING FARMER LOAN APPLICATIONS

Tammy Nebola introduced the following applications for Beginning Farmer loans:

AG 17-001 – David and Jenifer Breneman – Beginning farmer loan of \$325,000 to purchase approximately 230 acres of agricultural land, house and out-buildings in Ringgold County. The loan will have a 4.50% variable interest rate and a loan length of 30 years. The index will be fixed for five years then adjust to 2.66% over the weekly average U.S. Treasury Note with a constant maturity of five (5) years as reported by the Federal Reserve Board. The lender is City State Bank in Mount Ayr, Iowa.

AG 17-002 – Colton Twinam – Beginning farmer loan of \$214,400 to purchase approximately 66.97 acres of agricultural land in Washington County. The loan will have a 3.15% variable interest rate and a loan length of 30 years. The index will be fixed for ten years then adjust to 100% of 5 year Treasury rate + 2.00%. The lender is Hills Bank & Trust Company in Washington, Iowa.

AG 17-003 – Michael Martin – Beginning farmer loan of \$266,400 to purchase approximately 70 acres of agricultural land in Calhoun County. The loan will have a 4.50% variable interest rate and a loan length of 30 years. The index will be fixed for five years then adjust to 350 bp over the 5 year FHLB Advance Rate. The lender is Northwest Bank in Fort Dodge, Iowa.

AG 17-004 – John P. Liston – Beginning farmer loan of \$308,800 to purchase approximately 80 acres of agricultural land in Hardin County. The loan will have a 4.10% variable interest rate and a loan length of 30 years. The index will be fixed for 20 years then adjust to 0.50% above Wall Street for the remainder of the loan. The lender is Luana Savings Bank in Clive, Iowa.

AG 17-005 – Benjamin C. Fonken – Beginning farmer loan of \$121,500 to purchase approximately 33 acres of agricultural land in Hamilton County. The loan will have a 3.00% variable interest rate and a loan length of 30 years. The index will be 1.00% over 5 year Treasury note. The lender is First State Bank in Webster City, Iowa.

AG 17-006 – Jonathan R. H. and Kami L. Holst – Beginning farmer loan of \$524,200 to purchase approximately 156 acres of agricultural land in Scott County. The loan will have a 3.50% variable interest rate and a loan length of 40 years. The index will be 80% of First Trust Base Real Estate Rate. The lender is First Trust & Savings Bank in Grand Mound, Iowa.

AG 17-007 – Johnathan and Lauren Kornmann – Beginning farmer loan of \$180,000 to purchase approximately 60 acres of agricultural land and livestock in Clinton County. The loan will have a 3.50% variable interest rate and a loan length of 40 years. The index will be 80% of First Trust Base Real Estate Rate. The lender is First Trust & Savings Bank in Grand Mound, Iowa.

MOTION

On a motion by Mr. Fredrickson and a second by Ms. Townsley, the Board approved the BFLP applications.

PUBLIC HEARING ON BEGINNING FARMER LOANS

A public hearing was held by the IADD Board at the Iowa Finance Authority office on January 25, 2017 at 8:59 am. There were no comments received regarding the Beginning Farmer Loan applications. The public hearing was closed at 9:00 am.

MOTION

On a motion by Ms. Euken and a second by Ms. Townsley, the Board unanimously recommended approval of the BFLP Bond documents including an increase in the bond amount on project AG 16-054.

BEGINNING FARMER TAX CREDIT APPLICATIONS

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit applications. There were 4 new BFTC applications for an estimated tax credit amount of \$9,118.45. He noted that of those, 4 are cash rent.

MOTION

On a motion by Ms. Euken and a second by Mr. Fredrickson, the Board unanimously recommended approval of the Beginning Farmer Tax Credit applications as presented.

BEGINNING FARMER TAX CREDIT CHANGES

Steve Ferguson presented a summary of the Beginning Farmer Tax Credit requested changes. There were 3 requests to reduce the cash rent, 2 to reduce acres, one to swap acres, one to change the asset owner due to death and one to cancel the lease for 2016 and going forward due to the asset owner selling the farm.

MOTION

On a motion by Ms. Townsley and a second by Ms. Euken, the Board unanimously recommended approval of the Beginning Farmer Tax Credit change requests.

BEGINNING FARMERS WHO HAVE PARTIAL OWNERSHIP OF LEASED LAND

Ms. Beary discussed the ongoing issue of a beginning farmer being a partial owner of the leased asset. Through staff discussions and deliberation there was a limit set that no more than 10% of the asset can be owned by the beginning farmer for the project to qualify. We currently have a project where the beginning farmer had less than 10% ownership of the leased asset when the application was received and approved. Now, one of the asset owners is releasing her ownership interest. The beginning farmer now owns 18% of the leased land. Staff wanted to present the issue to the Board so they could think about what percentage of the asset can be owned by the

beginning farmer for a project to qualify. The limit can be waived on a case by case issue but staff would like the board to create a policy that establishes a limit and take action at a later date.

A related issue involves the tax credit being taken by a beginning farmer that is a partial owner of the leased asset. While we reduce the amount of the tax credit by the amount of the beginning farmer's ownership, as a member of the corporation the beginning farmer can take a portion of the tax credit. Mr. Ferguson discussed the possibility of adding a statement to the application or certificate that acknowledges that the tax credit has been decreased by the beginning farmers percentage of ownership and that no amount of the tax credit should be passed on to the beginning farmer. However, there would be no way to verify compliance.

MARKETING UPDATE

Included in the Board packet is the IADD marketing calendar. Mr. Ferguson reviewed some of the recent events he's attended. He also discussed some upcoming events. Steve briefly discussed the June 28th meeting in Fort Dodge and touched base on the regional workshop agenda.

LPP FUND UPDATE

Mr. Fredrickson asked if there had been any progress in finding funds for the Loan Participation Program. Ms. Beary shared that Steve Ferguson had followed up with USDA about funds for relending but was informed that any decisions will be put on hold until the new administration is put in place. Ms. Beary discussed there is a possibility of using IFA funds to fund the program but not sure how the logistics of that agreement would work yet. Staff will continue to explore options of funds that could be borrowed.

NEXT IADD BOARD MEETING

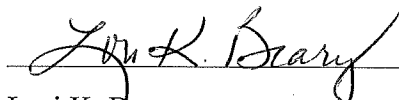
The February IADD Board meeting will be Wednesday, February 22, 2017 at 8:30 am, via conference call.

ADJOURNMENT

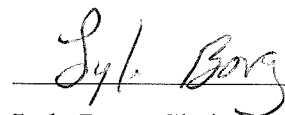
On a motion by Mr. Fredrickson and a second by Ms. Euken, the January 25, 2017 meeting of the IADD Board of Directors adjourned at 9:32 am.

Dated this 22nd day of February, 2017.

Respectfully submitted:


Lori K. Beary
Director's Designee/Board Secretary

Approved as to form:


Lyle Borg, Chair
IADD Board